

Washington State Auditor's Office

Audit Report

Central Puget Sound Regional Transit Authority dba Sound Transit King County

Audit Period

January 1, 1997 through December 31, 1997

Report No. 59418

Issue Date
December 4, 1998



Washington _____
State Auditor

Brian Sonntag

Audit Summary

**Central Puget Sound Regional Transit Authority
dba Sound Transit
King County
January 1, 1997 through December 31, 1997**

ABOUT THE AUDIT

This report contains the results of our annual independent audit of the Central Puget Sound Regional Transit Authority for the period January 1, 1997, through December 31, 1997.

We performed audit procedures to determine whether the Authority complied with state laws and regulations, and its own procedures. We also audited the financial statements and evaluated the internal controls established by Authority management. Our work focused on specific areas that have potential for abuse or misuse of public resources.

RESULTS

The District complied with state laws and regulations, and its own policies and procedures in the areas we examined.

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dba Sound Transit
King County
January 1, 1997 through December 31, 1997**

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Description of the Authority

Central Puget Sound Regional Transit Authority dba Sound Transit King County January 1, 1997 through December 31, 1997

ABOUT THE AUTHORITY

In 1992, the Washington State Legislature authorized King, Pierce and Snohomish counties to create a single agency to plan, build and operate a high-capacity transit system within the region's most heavily used travel corridors. During 1993, the Central Puget Sound Regional Transit Authority, acting under the service name Sound Transit, was established. The Authority expects to have the system in place within 10 years at a cost of approximately \$3.9 billion. The Authority had 81 employees at the end of 1997 and about 120 currently.

The Authority is governed by a board of 18 members, who are appointed by the respective member County Executives and confirmed by the Council of each member county. Membership is based on the population from that portion of each county which lies within the Authority's service area.

ELECTED OFFICIALS

These board members served during the audit period:

Council Members:

Chairman	Bob Drewel
Vice Chair	Greg Nickels
Vice Chair	Paul Miller
	Martha Choe
	Richard McIver
	Mary Gates
	Dave Earling
	Rob McKenna
	Ann Kirk Davis
	Dave Russell
	Norm Rice
	Cynthia Sullivan
	Jim White
	Sarah Casada
	Jane Hague
	Ed Hansen
	Ron Sims
	Doug Southerland
DOT Secretary	Sid Morrison

NOTE: Richard McIver replaced Martha Choe in February 1997 and Paul Schell replaced Norm Rice in January 1998.

APPOINTED OFFICIALS

Executive Director
Deputy Executive Director
Finance Director

Robert White
Paul Matsuoka
Jan Hendrickson

ADDRESS

Suite 500
1100 Second Avenue
Seattle WA 98101
(206) 684-6776

Audit Areas Examined

**Central Puget Sound Regional Transit Authority
dba Sound Transit
King County
January 1, 1997 through December 31, 1997**

In keeping with general auditing practices, we do not examine every portion of the Authority's financial activities during each audit. The areas examined were those representing the highest risk of noncompliance, misappropriation or misuse. Other areas are audited on a rotating basis over the course of several years. The following areas of the Authority were examined during this audit period:

LEGAL COMPLIANCE

We audited the following areas for compliance with certain applicable state and local laws and regulations:

- Open Public Meetings Act
- Revenues/expenditures
- Insurance
- Conflict of interest/related party transactions

INTERNAL CONTROL

We evaluated the following areas of the Authority's internal control structure:

- Receipts
- Disbursements
- Safeguarding assets
- Payroll
- Credit card/travel related

FINANCIAL AREAS

In addition to the financial-related work listed in other categories, we reviewed the work performed by the Authority's independent auditors, hired by the Authority to render an opinion on the Authority's financial statements. Those auditors rendered an unqualified opinion. Based on our review of their work and the financial related work we performed, we are also rendering an unqualified opinion.

Audit Overview

**Central Puget Sound Regional Transit Authority
dba Sound Transit
King County
January 1, 1997 through December 31, 1997**

AUDIT HISTORY

We audit the Central Puget Sound Regional Transit Authority annually. This is the fourth audit since its formation in 1993. Management has been very responsive to prior audit recommendations. Audit concerns are often discussed, addressed and resolved before completion of our audit. Because of its assertive style of problem solving, the Authority has only had one audit finding.

CONCLUSIONS

In the areas examined, we found the Central Puget Sound Regional Transit Authority has complied with applicable state laws and regulations and its own policies and procedures. We also found the Authority's financial statements were materially correct.

We would like to thank the Authority officials and personnel for their assistance and cooperation during the audit.

Independent Auditor's Report on Compliance with State Laws and Regulations

Central Puget Sound Regional Transit Authority dba Sound Transit King County January 1, 1997 through December 31, 1997

Council Members
Central Puget Sound Regional Transit Authority
Seattle, Washington

We have audited the financial statements, as listed in the table of contents, of the Central Puget Sound Regional Transit Authority, King County, Washington, as of and for the year ended December 31, 1997 and 1996, and have issued our report thereon dated August 28, 1998.

We also performed tests of compliance with state laws and regulations as required by *Revised Code of Washington* (RCW) 43.09.260. This statute requires the State Auditor to inquire as to whether the Authority complied with the laws and the *Constitution of the State of Washington*, its own ordinances and orders, and the requirements of the State Auditor's Office.

Compliance with these requirements is the responsibility of the Authority's management. Our responsibility is to make a reasonable effort to identify any instances of misfeasance, malfeasance or nonfeasance in office on the part of any public officer or employee and to report any such instance to the management of the Authority and to the Attorney General. However, the objective of our audit of the financial statements was not to provide an overall opinion on compliance with these requirements. Accordingly, we do not express such an opinion.

The results of our tests indicated that, with respect to the items tested, the Authority complied, in all material respects, with the applicable laws and regulations referred to in the preceding paragraphs. With respect to items not tested, nothing came to our attention that caused us to believe that the Authority had not complied, in all material respects, with those provisions.

However, we noted certain matters involving noncompliance not significant enough to report as findings that we have reported to management of the Authority in a separate letter dated September 16, 1998.

This report is intended for the information of management and the Council Members and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

BRIAN SONNTAG, CGFM
STATE AUDITOR

August 28, 1998

Independent Auditor's Report on Financial Statements

**Central Puget Sound Regional Transit Authority
dba Sound Transit
King County
January 1, 1997 through December 31, 1997**

Council Members
Central Puget Sound Regional Transit Authority
Seattle, Washington

We have audited the accompanying financial statements of the Central Puget Sound Regional Transit Authority, King County, Washington, as of and for the year ended December 31, 1997 and 1996, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Central Puget Sound Regional Transit Authority as of December 31, 1997 and 1996, and the results of its operations and cash flows for the year then ended, in conformity with generally accepted accounting principles.

BRIAN SONNTAG, CGFM
STATE AUDITOR

August 28, 1998

Financial Statements

**Central Puget Sound Regional Transit Authority
dba Sound Transit
King County
January 1, 1997 through December 31, 1997**

FINANCIAL STATEMENTS

Balance Sheets – 1997 and 1996

Statements of Revenues, Expenses, and Changes in Retained Earnings – 1997 and 1996

Statements of Cash Flows – 1997 and 1996

Notes to Financial Statements – 1997 and 1996